



**Testimony of Yale New Haven Health System
Before the Judiciary Committee
March 20, 2009**

RB 1100, An Act Concerning Medical Group Clinic Corporations

Good afternoon Chairmen Lawlor and McDonald and members of the Judiciary Committee. My name is Bill Aseltine. I am Vice President and General Counsel at Yale-New Haven Hospital and Yale New Haven Health System. I appreciate the opportunity to speak with you today in support of Raised Bill 1100, An Act Concerning Medical Group Clinic Corporations.

Yale New Haven Health System is an integrated health care system consisting of Yale-New Haven, Bridgeport and Greenwich Hospitals as well as the other health care services associated with the three hospitals. We are also affiliated with the Yale School of Medicine. One in five state residents receives inpatient care at a Yale New Haven Health System hospital.

We all are aware of how the global financial crisis has affected almost every sector of our state's economy. Health care is not immune from these economic forces. Before the current economic crisis began last year, physicians already were finding it increasingly difficult to sustain private practice and were requesting, in greater numbers, affiliation with health care systems. Many graduating resident physicians are choosing not to join private practices or establish their own but rather are pursuing employment in health care systems. This is particularly true in Connecticut, a high-cost state with declining reimbursement rates. Life style choices, cost of practice, and the need for greater integration of care among health care providers are all factors increasing the interest of young and older physicians in employment by large health care systems.

The costs and headaches of running a business have forced many physicians to seek alternatives to private practice. The Connecticut State Medical Society conducted a Physician Workforce Survey released in September 2008, which found that almost 20% of the respondents planned either a career change or to leave the state because of Connecticut's practice environment.

Consequently, even if the federal government is successful in extending healthcare coverage to more Americans, the aging of our physician workforce and the inadequate number and distribution of physicians in the State to care for an aging population could inhibit patient access. When Massachusetts enacted universal coverage for its residents, according to that state's medical society, there was a spike in demand for primary care physicians, leading to shortages in many areas and waits for appointments as long as one year.

Physicians are an important part of our health care system. Of course it takes many professionals working as a team to provide the sophisticated health care services needed by our citizens but without physicians patients don't get treated, diagnoses don't get made and public health declines.

Given the challenges of keeping physicians practicing in Connecticut, the legislation before you is critical with or without comprehensive health care reform.

Yale New Haven Health System strongly supports this Bill because we believe that it will help to ensure that physicians continue to be accessible to Connecticut residents.

Raised Bill 1100 would permit the formation of nonprofit medical group clinics where physicians could devote their time to caring for their patients, while the administrative and back-office functions would be handled centrally and cost effectively. These clinics would be organized under a health care system, and they would address the demand by physicians, particularly new doctors entering practice, for more stable practice arrangements free from the administrative burdens of a practice. Also, by centralizing practices, greater efficiencies would be realized and new technologies would be more readily introduced including, for example, electronic medical records.

Without the corporate form created by this Bill, the ability of not-for-profit health care systems to help physicians who request employment assistance is limited because of several federal laws that govern the arrangements between hospitals and physicians. These laws—for example, the federal Anti-Kickback Statute and what's known as the Stark II Law—essentially prohibit hospitals or health care systems from supporting independent physician practices.

Massachusetts and Vermont are among many states that have created entities known as medical clinics or foundations to address these issues and to provide a nonprofit practice venue affiliated with a health care system.

Raised Bill 1100 would allow nonprofit health care systems to make mission grants to medical group clinics, to support their start up efforts and operations, and pave the way for more seamless care. Inherent in this Bill is the concept that, because these medical clinics would be part of an integrated delivery system, they can more easily share necessary information with hospitals and other affiliated providers.

This legislation would not force any physician into a nonprofit clinic. It would not affect the existing private organizations through which many physicians currently practice medicine. But it would add an alternative for those physicians seeking this type of stable model in which to deliver care. In addition, for those physicians concerned about their own succession planning, this legislation would create another option to sustain care for their patients after they retire and, therefore, benefit not only those physicians but their patients who will be assured of continuity of care.

Again, thank you for this opportunity to support Raised Bill 1100.

Technical Changes Recommended to House Bill 1100, An Act Concerning Medical Group
Clinic Corporations

(Additions to text of original bill indicated by text in *italics*;
deletions to text of original bill indicated by text ~~striketthrough~~)

General Assembly

January Session, 2009

Raised Bill No. 1100

LCO No. 4518

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Referred to Committee on Judiciary

Introduced by:

(JUD)

AN ACT CONCERNING MEDICAL GROUP CLINIC CORPORATIONS.

Be it enacted by the Senate and House of Representatives in General Assembly
convened:

Section 1. (NEW) (*Effective July 1, 2009*) As used in sections 1 to 6, inclusive, of this act:

(1) "Health system" means a nonprofit entity consisting of a parent corporation of one or more hospitals licensed pursuant to chapter 368v of the general statutes, and affiliated through governance, membership or some other means; and

(2) "Provider" *shall have the same meaning as set forth in section 20-7b(b) of the general statutes* ~~means a physician licensed under chapter 370 of the general statutes, a chiropractor licensed under chapter 372 of the general statutes or a podiatrist licensed under chapter 375 of the general statutes.~~

Sec. 2. (NEW) (*Effective July 1, 2009*) (a) Any health system may organize and become a member of a medical group clinic corporation for the purpose of practicing medicine and providing health care services through employees or agents of such corporation who are licensed pursuant to section 20-9 of the general statutes and through other providers.

(b) Such medical group clinic corporation shall not operate for profit and may operate at such locations as are designated by its members.

Sec. 3. (NEW) (*Effective July 1, 2009*) (a) Sections 1 to 6, inclusive, of this act shall not apply to any corporation organized prior to July 1, 2009, for the purposes of practicing medicine and providing health care services to the public under any other law specifically authorizing the provision of such services by a corporation that was valid at

the time of such corporation's organization. Any such corporation may bring itself within the provisions of sections 1 to 6, inclusive, of this act by amending its certificate of incorporation in such manner as to be consistent with the requirements of sections 1 to 6, inclusive, of this act and by affirmatively stating in the amended certificate of incorporation that the members or shareholders, as the case may be, have elected to bring the corporation within the provisions of sections 1 to 6, inclusive, of this act. To the extent that such corporation has a current provider agreement with the Department of Social Services, the provider agreement shall *remain in effect notwithstanding the foregoing automatically transfer to the new corporation upon the amendment to its* certificate of incorporation.

(b) Any actions taken by a medical group clinic corporation formed under chapter 594 of the general statutes, revision of 1958, revised to 1995, and in existence on September 30, 1995, and continuing to operate as such a corporation from September 30, 1995, until July 1, 2009, are hereby validated, provided such corporation elects not later than July 1, 2010, to bring itself within the provisions of sections 1 to 6, inclusive, of this act in the manner described in subsection (a) of this section.

Sec. 4. (NEW) (*Effective July 1, 2009*) No medical group clinic corporation organized under sections 1 to 6, inclusive, of this act shall engage in any business other than the rendering of health care services for which it was specifically incorporated, except that nothing in sections 1 to 6, inclusive, of this act or in any other provision of law applicable to corporations shall be interpreted to prohibit such medical group clinic corporation from investing its funds in real estate, mortgages, stocks, bonds or any other type of investments, or from owning real or personal property incident to the rendering of professional services.

Sec. 5. (NEW) (*Effective July 1, 2009*) The corporate name of a medical group clinic corporation organized under sections 1 to 6, inclusive, of this act shall contain the words "corporation" or the abbreviation "Inc." or "Corp." and shall also contain either a word or words descriptive of the professional service to be rendered by the medical group clinic corporation or shall include a reference to the name of the member health system.

Sec. 6. (NEW) (*Effective July 1, 2009*) Chapter 602 of the general statutes is applicable to a medical group clinic corporation organized pursuant to sections 1 to 6, inclusive, of this act, except to the extent that any of the provisions of sections 1 to 6, inclusive, of this act are interpreted to be in conflict with the provisions of said chapter 602, in which event the provisions of sections 1 to 6, inclusive, of this act shall take precedence with respect to such medical group clinic corporation. A medical group clinic corporation organized under sections 1 to 6, inclusive, of this act may consolidate or merge only with another medical group clinic corporation organized under sections 1 to 6, inclusive, of this act or under chapter 594 of the general statutes, revision of 1958, revised to 1995, that is validated pursuant to section 3 of this act, a professional corporation organized under chapter 594a of the general statutes, a limited liability company organized under chapter 613 of the general statutes or a partnership or limited liability partnership

organized under chapter 614 of the general statutes, if such corporation, company or partnership is organized to render the same specific professional services.

Sec. 7. Section 33-182i of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2009*):

Chapter 601 is applicable to a corporation organized pursuant to this chapter except to the extent that any of the provisions of this chapter are interpreted to be in conflict with the provisions of chapter 601, in which event the provisions of this chapter shall take precedence with respect to a corporation organized pursuant to the provisions of this chapter. A professional corporation organized under this chapter may consolidate or merge only with another professional corporation organized under this chapter, a limited liability company organized under chapter 613, [or] a partnership or limited liability partnership organized under chapter 614 or a medical group clinic corporation organized under sections 1 to 6, inclusive of this act, if such corporation, company, [or] partnership or medical group clinic corporation is organized to render the same specific professional service. A merger or consolidation of any professional corporation organized under this chapter with any foreign corporation, foreign limited liability company, foreign partnership or foreign limited liability partnership is prohibited.

Sec. 8. Section 19a-630a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2009*):

As used in sections 19a-638 to 19-639c, inclusive, "affiliate" means a person, entity or organization controlling, controlled by or under common control with another person, entity or organization. In addition to other means of being controlled, a person is deemed controlled by another person if the other person, or one of that other person's affiliates, officers or management employees, acting in such capacity, acts as a general partner of a general or limited partnership or manager of a limited liability company. "Affiliate" does not include a medical group clinic corporation organized under sections 1 to 6, inclusive of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2009	New section
Sec. 2	July 1, 2009	New section
Sec. 3	July 1, 2009	New section
Sec. 4	July 1, 2009	New section
Sec. 5	July 1, 2009	New section
Sec. 6	July 1, 2009	New section
Sec. 7	July 1, 2009	33-182i

Sec. 8	July 1, 2009	19a-630a
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Statement of Purpose:

To validate certain medical group clinic corporations in existence in 1995 and continuing in existence since 1995 that comply with the requirements of this act, and allow for the establishment of new medical group clinic corporations.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]